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Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SS-15 L-02 H-01 NSC-05 CAB-02

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R 271922Z JAN 75
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 7640
INFO AMEMBASSY THE HAGUE

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THE HAGUE FOR USDEL WALDMANN

E.O. 11652: N/A
TAGS: EAIR, UK
SUBJ: CIVAIR - US/UK CONSULTATIONS

1. US AND UK CIVAIR OFFICIALS MET IN LONDON JAN 24 FOR INFORMAL CONSULTATIONS ON FOLLOWING ISSUES: CAPACITY RATIONALIZATION, SCHEDULED SERVICE FARES, PROPOSED INCREASES IN UK AIRPORT AND NAVIGATION CHARGES, FLYING TIGER'S HONG KONG SERVICES, THE HONG KONG CARGO CONSORTIUM ISSUE, SEABOARD'S ALL-CARGO OPERATION, THE PROPOSED BRITISH AIRWAYS-AIR NEW ZEALAND INTERCHANGE OPERATION, AND CHARTER SERVICES. THE SUBSTANCE OF THE DISCUSSION ON EACH OF THESE SUBJECTS IS DESCRIBED BRIEFLY BELOW:
(A) CAPACITY RATIONALIZATION: THE STATUS OF BRITISH AIRWAYS/NATIONAL AIRLINES TALKS WAS REVIEWED. THE TWO CARRIERS ARE CLOSE TO AGREEMENT ON TRAFFIC PROJECTIONS BUT CANNOT YET AGREE ON THE LEVEL OF SERVICES TO BE PROVIDED BY EACH. THE TWO GOVERNMENTS WILL CONTINUE TO ENCOURAGE THE CARRIERS TO CONTINUE TALKS BUT NO GOVERNMENT ACTION YET CALLED FOR. AS FOR OTHER US/UK MARKETS, BRITISH AIRWAYS (BA) EXPECTS ZERO GROWTH IN 1975/76 AND SIX PER CENT GROWTH IN 1976/77; LOWER YIELDS WILL RAISE BREAKEVEN
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POINT. BA FORECAST CONSIDERED TO BE CLOSE TO THAT OF CAB.

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GOVERNMENTS AGREED TO ENCOURAGE CARRIERS TO COMMENCE CAPACITY TALKS ASAP. THERE WAS GENERAL FEELING THAT CARRIERS WOULD BE ABLE TO AGREE FAIRLY QUICKLY ON SUMMER CAPACITY.
(B) SCHEDULED SERVICE FARES: THE STATUS OF THE IATA NORTH ATLANTIC FARES PACKAGE WAS REVIEWED. UK SAID IF PRESENT PACKAGE FALLS APART, AND OPEN RATE SITUATION WILL PREVAIL BECAUSE NO FURTHER IATA TALKS ARE PLANNED. UK ALSO SAID ECAC DIRECTORS-GENERAL OF CIVIL AVIATION HAVE INDICATED THEY WILL APPROVE PRESENT IATA PACKAGE IF CARRIERS FILE IT.
U.K. EXPECTS CANADA WILL ALSO APPROVE PACKAGE. U.S. SIDE DID NOT INDICATE A POSITION. THERE WAS GENERAL DISCUSSION OF HOW AN OPEN RATE SITUATION MIGHT BE DEALT WITH BUT NOTHING WAS DECIDED. U.K. SUGGESTED TRIPARTITE (ECAC, U.S., CANADA) TALKS. U.S. SAID THIS MIGHT BE CONSIDERED BUT TOO EARLY TO DECIDE.
C) INCREASE AIRPORT AND NAVIGATION CHARGES IN U.K.: THE U.S. SIDE REVIEWED SITUATION, NOTING IT HAS OBJECTED IN PAST TO HIGH LEVEL OF CHARGES AT HEATHROW AND IT WAS NOW ALARMED BY NEWS THAT FURTHER INCREASES IN PROSPECT DESPITE HIGH PROFITS EARNED BY BRITISH AIRPORT AUTHORITY. U.S. NOTED IT NOW HAS STATUTORY MEANS FOR DEALING WITH UNREASONABLE LEVEL OF CHARGES BY FOREIGN ENTITIES AND POSSIBILITY OF OFF-SETTING CHARGES AGAINST BRITISH AIRWAYS IN U.S. MIGHT HAVE TO BE CONSIDERED. U.K. SIDE SAID BA ALSO CONCERNED ABOUT POSSIBLE INCREASED CHARGES WHICH STILL IN PROPOSAL STAGE. U.K. SAID IT WOULD BE HAPPY TO HAVE U.S. VIEWS ON THIS QUESTION EITHER IN WRITING OR IN TALKS BUT IT COULD NOT GUARANTEE FEE INCREASES WOULD BE DEFERRED UNTIL AFTER VIEWS EXCHANGED. U.K. SAID IT WOULD TAKE STRONG EXCEPTION IF, BECAUSE OF NON-DISCRIMINATORY CHARGES LEVIED BY BRITISH AIRPORTS AUTHORITY AND THE CIVIL AVIATION AUTHORITY, THE U.S. WERE TO IMPOSE A DISCRIMINATORY CHARGE AGAINST BRITISH AIRWAYS. IT WAS LEFT THAT THE U.K. WOULD ADVISE THE U.S. AS TO THE BEST MEANS BY WHICH IT MIGHT MAKE ITS VIEWS KNOWN IN AN OFFICIAL WAY.
D) FLYING TIGER: THE U.K. SIDE GAVE AN ASSURANCE THAT IT REGARDED ONE-WAY ROUTINGS TO BE CONSISTENT WITH THE LIMITED OFFICIAL USE

BILATERAL AGREEMENT. IT SAID IT WOULD LOOK INTO REASON FOR "EXCEPTIONAL BASIS" LANGUAGE USED IN APPROVING FT PERMIT. RE KAOSCHIUNG ISSUE, U.K. SAID IT ALLOWED FT OPERATE TOKYO-KAOSCHIUNG-TAIPEI-HONG KONG WITH KAOSCHIUNG-HONG KONG AS A BLIND SECTOR UNTIL FEB 1 BECAUSE SCHEDULES HAD BEEN PUBLISHED, ETC. AFTER FEB 1 FT COULD OPERATE TO KAOSCHIUNG OR TAIPEI BUT NOT TO BOTH ON SAME SERVICE. U.K. SAID IT WOULD NOT APPROVE

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KAOSCHIUNG-HONG KONG BLIND SECTOR ON A TOKYO-KAOSCHIUNG-
TAIPEI-HONG KONG SERVICE BECAUSE (1) IT NOT IN AGREEMENT
AND (2) HONG KONG AUTHORITIES OBJECT ALTHO U.K. SIDE
REFUSED TO DESCRIBE BASES FOR HKG OBJECTIONS.
E) HONG KONG CARQO CONSORTIUM: GENERAL SITUATION WAS

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REVIEWED. U.K. SIDE SAID IT WOULD TAKE NOTE THAT U.S.
NOT COMPLETELY SATISFIED WITH WAY HKCC WAS SET UP. IT
WAS LEFT THAT PANAM WOULD DISCUSS ITS PROBLEMS WITH
HKCC TO SEE IF A SATISFACTORY ARRANGEMENT MIGHT BE WORK-
ED OUT. IF PANAM NOT SUCCESSFUL, U.S. WOULD CONSIDER
ASKING U.K. FOR ASSISTANCE.
F) SEABOARD'S ALL-CARGO SERVICE: U.S. SIDE ARGUED THAT
FACT U.K. HAD PERMITTED SEABOARD CARRY LONDON-NEW YORK
TRAFFIC OVER PARIS IMMEDIATELY AFTER 1966 AGREEMENT
SIGNED AND OFF AND ON UNTIL LATE 1974 CONCLUSIVELY
ESTABLISHED THAT U.K. ACCEPTED THAT THIS OPERATION WAS
WITHIN THE TERMS OF THE AGREEMENT. U.K. SAID IT WOULD
TAKE ANOTHER LOOK AT QUESTION. U.K. THEN SAID SEABOARD
NOT CONFORMING TO ITS SCHEDULES AND UNLESS IT DID, U.K.
MIGHT HAVE TO REVIEW WHETHER IT SHOULD HAVE SCHEDULED

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SERVICE PERMIT. AFTER LENGTHY DISCUSSION, U.K. AGREED
THAT ABSENT COMPLAINTS FROM PUBLIC OR DEMONSTRABLE
HARM TO NATIONAL CARRIER, STRICT ADHERENCE TO SCHEDULES
NOT REQUIRED FROM ALL-CARGO OPERATOR BUT U.K. THOUGHT
GOVERNMENTS SHOULD AGREE ON SCHEDULED SERVICE STANDARDS.
U.K. THEN PRESSED HARD FOR CAPACITY RATIONALIZATION
TALKS ON CARGO OPERATIONS. U.S. SIDE SAID ALTHOUGH IT
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DID NOT THINK THESE APPROPRIATE BECAUSE CARGO MARKET
STILL EXPANDING, NEVERTHELESS CAB WOULD TAKE CLOSE
LOOK AT QUESTION.
G) BRITISH AIRWAYS-NEW ZEALAND INTERCHANGE: THERE WAS
FAIRLY LONG DISCUSSION OF THIS ISSUE WITH U.K. SIDE
CONTENDING THAT FULL AUTHORITY FOR BA AND ANZ TO MOUNT
PROPOSED SERVICE ALREADY EXISTS AND U.S. SIDE TAKING
OPPOSITE VIEW. IT WAS FINALLY AGREED THAT U.K. EMBASSY
IN WASHINGTON WOULD APPROACH DEPARTMENT TO SET UP MEET-
ING BETWEEN BA AND CAB EXPERTS ON THIS ISSUE.
H) CHARTER SERVICES: CHARTERS WERE DISCUSSED VERY
BRIEFLY. ON AFFINITIVES, U.K. SAID IF U.S. EXTENDS
AFFINITIVES THROUGH 1975, IT WILL CONTINUE TO ACCEPT
THEM ON SAME BASIS AS IN 1974. AFTER 1975, IF AFFINIT-
IVES CONTINUE, U.K. WOULD ACCEPT THEM BUT MAKE THEM
SUBJECT TO ADDITIONAL CONDITIONS, MAKING THEM MORE
SIMILAR TO ABCS. ON TGC'S, U.K. SAID IT WISHED TO GIVE
TGC'S FAIR CHANCE BUT THEY WERE CONCERNED ABOUT THE NEW
15 PER CENT SUBSTITUTION PROVISION AND THEY WOULD KEEP A
CLOSE EYE ON THIS TO BE SURE IT NOT ABUSED.
I) TWA VIENNA PERMIT: U.S. SIDE BRIEFLY RAISED THIS
ISSUE TO IMPRESS ON U.K. IMPORTANCE ATTACHED TO VIENNA
POINT IN PANAM-TWA ROUTE SWAP. U.K. SIDE REFUSED TO BE
DRAWN ON THIS POINT INDICATING ONLY THAT SERIOUS CAPAC-
ITY PROBLEMS ALREADY EXIST IN LONDON-VIENNA MARKET AND
THAT SINCE VIENNA RIGHTS ARE IN BILATERAL, U.S. MIGHT
EXPECT TWA PERMIT FOR VIENNA SERVICE WOULD BE ISSUED
WITHOUT "UNDUE DELAY" AS THAT TERM IS CURRENTLY BEING
INTERPRETED BY PARTIES TO THE AGREEMENT.

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